WTO membership is an access for transforming national markets in Uzbekistan

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ABSTRACT

According to him, in order to avoid negative consequences for the economy from the entry of Uzbekistan into the WTO, this process is planned to be carried out on the basis of a comprehensive assessment of the readiness of individual sectors of the economy, various groups of domestic producers and the compliance of the state regulation mechanisms used. The republic is systematically preparing for joining the World Trade Organization, analyzing the situation on foreign markets, bringing its normative documents in line with generally accepted standards, and also developing support measures for the most vulnerable areas of production.

Keywords: International trade, WTO, free trade, transition economy, sustainable economic growth.

1. INTRODUCTION

Since its inception in 1995, the WTO has grown from 123 to 164 members. Membership is not limited to sovereign states, but may be extended to any customs territory with full autonomy in the conduct of its external economic relations. Thus Hong Kong, a special administrative region of the People's Republic of China (PRC), is a founding member of the WTO, whereas the PRC did not join until 2001. Applicants in the process of negotiating their accession to the WTO are afforded observer status.

For the past decades Uzbekistan intended liberalization of the national economy. Due to double land locked of geographical location of the country put detail cooperation's with neighbors at the field of trade, transportation and logistics. Exporting goods to Europe and East Uzbekistan anyway has to deal with regional partners like Kazakhstan, Turkmenistan, Kyrgyzstan, Tajikistanand Afghanistan. Integration of international collaboration with WTO provides open access for local markets with new standards and trade policies.

2. LITERATURE REVIEW

The dispute process offers enforcement authority that is important to resolve the specific disputes and to deter future violations. Within the set of cases filed under the dispute settlement process, compliance with consultative agreements and panel rulings has been generally good. Hudec (1993), in the first attempt to tally dispute outcomes, found that the large majority of the early GATT panels resolved the dispute. Busch and Reinhardt (2003, 725) find that GATT/ WTO disputes produce substantial concessions in 50 percent of cases and partial concessions for another 20 percent of cases. Interest in upholding the overall credibility of the system of rules leads countries to comply with most rulings (Kovenock and Thursby 1992; Jackson 1997; Hudec 2002).3 The director of the WTO legal affairs division, Bruce Wilson, acclaims members specifically for high compliance with rulings (Wilson 2007).

Further, the direct costs of authorized retaliation and the potential reputational costs from noncompliance increase the incentives to cooperate (Bagwell and Staiger 1999, 2002; Maggi 1999). Critics argue that developing countries benefit less from multilateral enforcement than other members, because they lack legal capacity and retaliatory power. Evidence from filed complaints suggests that

developing countries gain fewer trade benefits from winning cases (Bown 2004a, 2004b), suffer from weak legal capacity (Busch, Reinhardt, and Shaffer 2009), and may be less willing to impose countermeasures if the defendant refuses implementation (Bagwell, Mavroidis, and Staiger 2007). However, these studies are motivated by the question of whether a developing country WTO member that files a legal complaint would get more from the system if it had more resources, which is different from asking whether the developing country would get a better outcome in the absence of the WTO dispute settlement process.

The latter is the relevant question when considering the benefits of membership, which provides access to WTO dispute settlement. Davis (2006) compares the negotiation process for Peru and Vietnam in two "all else being equal" disputes over fish labeling policies based on nearly identical legal terms on technical barriers to trade. Peru used its rights as a WTO member to file a legal complaint at the WTO against Europe, while Vietnam pursued bilateral negotiations with the United States because it had not yet completed the WTO accession process. The divergent outcomes are quite stark—Peru won concessions, while Vietnam got nothing. Officials in Vietnam saw this case as further motivation to continue its negotiations to join the WTO. Once Vietnam joined the WTO, it used the dispute settlement process to bring two cases against the United States. Small countries would do even better if they were larger and if institutions were revised to auction countermeasures or to implement collective retaliation. Yet this does not detract from the reality that WTO dispute settlement under the multilateral trade regime offers small states greater leverage against large states than they would otherwise have outside the regime in asymmetrical negotiations.

3. METHOD

In this article it is used theoretical approaches of qualitative analyses based on secondary source data and some international report statistics with comparison data.

4. RESULTS

Do Members Benefit from Multilateral Enforcement?

A strong legal framework that underlies third-party dispute settlement is a central benefit of membership. All members of the GATT/WTO have standing to file complaints under the Dispute Settlement Understanding when they allege that another member has a policy in violation of the agreement. The process begins with the filing of a formal complaint, which initiates a consultation period. If settlement is not achieved through consultation, the complainant may request a panel of third parties to rule on the legal status of the challenged policy. This process has remained largely consistent across both the GATT and WTO, although reforms of the Uruguay Round Agreements codified a more robust process. Key reforms included the automatic right to panel and the introduction of an appellate body of standing judges to hear appeals as an additional legal layer.

These costs, without a doubt, will be disproportionately lower than the structural costs associated with the liberalization of the foreign exchange market, if we proceed from the change in price ratios in the two scenarios. For example, as a result of the liberalization of the foreign exchange market, the price of many imported goods for those consumers who purchased them at the official exchange rate doubled due to the depreciation of the sum, as did the income of exporters selling their foreign exchange earnings at the official rate. It is clear that the liberalization of the trade regime in the process of joining the WTO will not lead to such sharp changes in prices.

In addition, the WTO does not require its members to establish a free import regime. What will be the import regime after joining the organization will be determined as a result of negotiations.

1.0 Members Nonmembers 0.8 0.6 0.4 0.2 0.0 1990 1950 1960 1970 1980 2000 2010

Figure 1.Trade Openness and Membership*

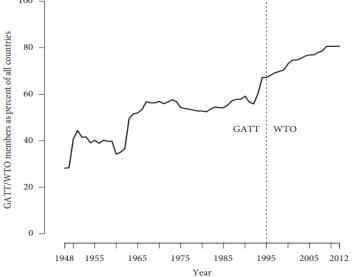
*Meanvalue of trade openness (imports plus exports as percent of GDP) for GATT/ WTO members and all other countries. In any given year, members and nonmembers enjoy similar levels of trade openness.

Source: Christina L. Davis and Meredith WILF, WTO Membership, Chapter 20, OUP UNCORRECTED PROOF - FIRSTPROOFS, Wed Dec 17 2014, NEWGEN, page 381

As a rule, for each tariff line of the list, binding levels (marginal level of rates) are fixed - the initial and final (if it differs from the initial) and the transition period during which the marginal rate is reduced. For example, on the date of accession, the import tariff for the goods, And maybe 15%, and the country takes an obligation, after a certain period reduces it to 10%.

Figure 2. GATT/WTO Membership Growth: Expanding Membership of the Trade Regime*





share of *Growing countries that have become members. "Member" is defined as any state that has completed formal accession to GATT/WTO.

Source: Christina L. Davis and Meredith WILF, WTO Membership, Chapter 20, Oup Uncorrected Proof – First proofs, Wed Dec 17 2014, NEWGEN, page 382

Since the main principle of the WTO is trade without discrimination, all of its requirements are aimed at creating an equitable international trading environment. For example, according to Article 3 of the 1994 General Agreement on Tariffs and Trade (GATT), goods produced in the territory of a contracting party and imported into the territory of another contracting party must not be subject to direct or indirect domestic taxes and duties in excess of directly or indirectly, taxes and fees applicable to similar domestic products.

All countries participate in international trade. That is, some goods and services produced within every country are sold to economic agents (e.g., individuals, firms, governments) in other countries; these products are known as exports. Some goods and services consumed within a country have been purchased from economic agents in other countries; these goods are known as imports (Steven Husted, International Economics 2017).

TA u_1 s s S_1 (b) (a) TA Slope = $-P_S/P_T$ F T_D u_2 u_1 u_0 s s S_D Ε

Figure 3.Indifference curves of trade

Source: Steven Husted, International Economics, Ninth Edition, University of Pittsburgh, Michael Melvin, Arizona State University and Black Rock, page 33

(d)

(c)

We continue to assume that the technology illustrated in Table 3.3 holds for our two countries. First, note that we can derive the production possibility frontiers (PPF) for the two countries directly from knowledge of the values in the table. For instance, suppose that country A was endowed with enough workers so that in a given year, total hours worked would equal 12,000 hours. What would be the maximum amount of S that could be produced? The answer, of course, is 4,000 units (12,000 hours/3 hours per unit).

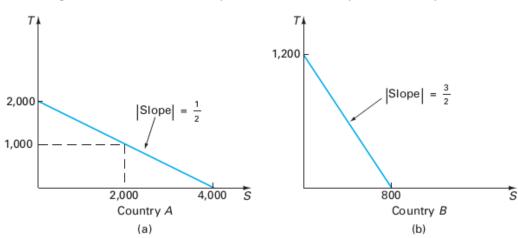


Figure 4. Production Possibility Frontiers for Country Aand Country B

The maximum amount of Tthat could be produced equals 2,000 units (12,000 hours/6 hours per unit). Country A's PPF is found by plotting these output levels on the Sand Taxes, respectively, and connecting the two points. This is done in Figure 4.At the same time, within the framework of the WTO, anti-dumping, countervailing and protective measures are provided for combating unfair competition and achieving the goals of protecting the domestic market and local producers, which can be used if domestic producers are damaged by import supplies.

Economy's production possibility frontier (PP) Production function Q_{r} (increasing \uparrow) for food $Q_F = Q_F(T, L_F)$ Q_r^2 Q_c^2 Labor input Output of cloth in food, L. Q_C (increasing -(increasing ←) L_C^2 3 AA $Q_C = Q_C(K, L_C)$ Labor input Economy's allocation Production function in cloth, of labor (AA) L_C (increasing \downarrow) for cloth

Figure 5.. The Production Possibility Frontier in the Specific Factors Mode

Source: Paul R. Krugman, Princeton University, Maurice Obstfeld, University of California, Berkeley, Marc J. Melitz, Harvard University International Economics, Theory & Policy, p55.

Production of cloth and food is determined by the allocation of labor. In the lower left quadrant, the allocation oflabor between sectors can be illustrated by a point on line AA, which represents all combinations of labor input tocloth and food that sum up to the total labor supply L.Corresponding to any particular point on AA, such as point 2, is a labor input to cloth and a labor input to food. The curves in the lower right and upper left quadrantsrepresent the production functions for cloth and food, respectively; these allow determination of output.

5. DISCUSSION

5.1.At a time of great change in Latin America, the Forum is spearheading initiatives to address priorities around agriculture, infrastructure, trade and the Fourth Industrial Revolution.

As for the analyses of 13th World Economic Forum on Latin America took place in São Paulo, Brazil at a decisive economic and political time for the region given the intense electoral cycle, with nine countries holding presidential elections. The meeting convened more than 750 regional and global leaders to discuss and advance an actionable agenda under the theme Latin America at a Turning Point: Shaping the New Narrative. With the support of the International Finance Corporation, 50 outstanding start-up entrepreneurs from the region were convened, to enhance collaboration, visibility and further development. The regional SHAPE event gathered some of the most remarkable Latin American Global Shaper community members (World Economic Forum, Annual Report 2017–2018, page 33).

5.2. Supporting development and building trade capacity

Various members and observer organizations updated the Committee on their Aid for Trade activities, Ambassador Gyan Chandra Acharya, the then Under Secretary General of the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN OHRLLS), gave a statement highlighting the constraints these countries face in relation to energy infrastructure, sustainable agricultural development, infrastructure and private sector development.

Opponents of the country's accession to the WTO are most concerned about the issue of protecting domestic producers. In their opinion, liberalization of the import regime, the abolition of fiscal and other benefits to domestic producers can nullify efforts to restructure the economy, fill our market with low-quality cheap imported goods, and turn the country into a raw materials appendage of successfully developing countries. This point of view is far from justified. Of course, in the short and medium term there will be costs - and significant ones associated with the structural adjustment of the economy.

Transport and storage (US\$ 99.01) Energy generation and supply (US\$ 75.42) Agriculture, fishing and forestry (US\$ 72.47) Banking and financial services (US\$ 37.50) **Business and other services** (US\$ 18.24) Communications (US\$ 5.90) Industry (US\$16.67) Trade policy and education Mineral resources and mining (US\$ 5.65) (US\$ 5.14) **Trade facilitation** (US\$ 3.21) Trade agreements and negotiations (US\$ 1.48) **Tourism** (US\$ 1.46) Trade-related adjustment (US\$ 0.19)

Figure 6. Total Aid for Trade disbursements by category, 2006-16 (US\$ billion – 2016 constant disbursements)

Source: World Trade Organization Annual Report 2018, p 152.

5.3. WTO does not prohibit protection of national industry

Arguments can often be heard that liberalization within the WTO can destroy domestic producers. In fact, this is nothing more than a delusion and even a myth. After all, the WTO does not prohibit the protection of domestic industries; rather, it allows protection under certain rules.

What are these rules for? They make protectionism more transparent and more difficult to initiate and expand in the interests of narrow circles. Therefore, the strategy of "minimal liberalization" in the negotiations of the WTO (for example, by increasing the level of tariff rates) is not only unpromising in terms of "bargaining" as a bargaining chip (as noted above), but also exposes the country to serious risks.

5.4. Useful experience of other WTO member countries

Current Membership of WTO has 164 members. Sixty-five countries were members of the <u>General Agreement on Tariff and Trade</u>. Those 65 countries automatically became WTO members on January 1, 1995. All the remaining 97 countries went through the six-step process to become WTO members. Herearethe fivenewestmembers:

- 1. Afghanistan was accepted on July 29, 2016.
- 2. Liberia was accepted on July 14, 2016.
- 3. Seychelles was accepted on April 26, 2015.
- 4. Kazakhstan, onNovember 30, 2015.
- 5. Yemen became a member on June 26, 2014.

There are <u>23 observer countries</u> currently in this application process. They have five years to complete it. They are Algeria, Andorra, Azerbaijan, Bahamas, Belarus, Bhutan, Bosnia and Herzegovina, Comoros, Equatorial Guinea, Ethiopia, the Vatican, Iran, Iraq, Lebanon, Libya, Sao Tome and Principe, Serbia, Somalia, South Sudan, Sudan, Syria, Timor-Leste, and Uzbekistan.

Only 16 countries are not WTO members. These nations do not wish to become members. They are Aruba, Curacao, Eritrea, Kiribati, Kosovo, Marshall Islands, Micronesia, Monaco, Nauru, North Korea, Palau, the Palestinian Territories, San Marino, Sint Maarten, Turkmenistan, and Tuvalu.

Many experts, evaluating the impact of WTO membership, cite the experience of Kyrgyzstan, which was the first among the countries of the former USSR to join the WTO, but this did not lead to an acceleration of structural adjustment and economic growth. The country remains one of the poorest in the post-Soviet space.

First of all, joining the WTO is not a panacea for all ills. It alone does not accelerate the pace of structural adjustment, nor the pace of economic growth. Membership in the WTO only creates favorable conditions for solving this strategic task. Success depends on how each country takes the opportunity, how effectively it will carry out socio-economic reforms.

Kyrgyzstan has had significant problems affecting the pace of structural adjustment and economic growth. This is not to say that this country made full use of the benefits of WTO membership. For her, institutional reforms are still relevant, there are no effective development programs, the banking system and financial system as a whole are not developed, etc. For this reason, Kyrgyzstan cannot serve as an example of a country with successful experience in conducting socio-economic reforms. The experience of other WTO member countries is more suitable for study and adoption: the countries of Southeast Asia (South Korea, China, Singapore, Malaysia) and Eastern Europe (Slovenia, Czech Republic, Poland).

Import substitution and protectionism is such an ineffective and mediocre policy that its results are usually worse than the results of Kyrgyzstan and other WTO member countries that do not have a successful transformation experience.

5.5. Ongoing WTO Membership of Uzbekistan

Uzbekistan has seriously taken up the issue of joining the World Trade Organization (WTO) and is taking a number of measures in this regard. In particular, not only international experts and domestic ministries and departments are involved in this process, but also working groups and interdepartmental commissions are created to assess risks, preparedness of economic sectors and adapt local legislation for joining the organization. For example, access to the market of goods and services, the amount of subsidies in agriculture, government support measures, trade aspects of protecting intellectual property rights and much more. It is important to develop a well-thought-out and carefully verified accession

strategy so that the conditions of accession minimize the negative impact on national producers and sensitive sectors of the economy

Moreover, he comments, these conditions should contribute to the development of the economy by increasing competition, improving product quality, introducing international standards, strengthening investment cooperation and expanding export potential through access to new markets.

To strengthen the country's position in the negotiations on accession to the WTO and ensure the protection of sensitive sectors of the economy, such as textiles, food, automobiles and agriculture, a draft resolution of the President of Uzbekistan on adjusting customs duty rates is currently being developed. The Ministry of Economy, the Ministry of Finance and the Ministry of Foreign Trade participate in the creation of the document.

In accordance with the order of ShavkatMirziyoyev of February 28 this year, "On organizational measures to further streamline the foreign economic activity of the Republic of Uzbekistan," a Working Group was created to improve the system of customs and tariff regulation and optimize customs payments in the implementation of foreign trade.

Also, to achieve effective systematic work and regular monitoring of the process of Uzbekistan's accession to the WTO, the government approved a "road map", which includes 34 activities aimed at preparing documentation to resume the entry process and adapt national legislation.

Another step of the country in this direction is the formed Interdepartmental Commission for Work with the WTO, headed by the Ministry of Foreign Trade. It included the heads of various ministries and departments of the country. At the same time, measures are being worked out to intensify the activities of the representative of Uzbekistan at the WTO in Geneva, whose work will be coordinated directly by the Ministry of Foreign Trade.

According to experts, the package of measures also includes institutional reforms, the development of an international legal framework on a bilateral and multilateral basis, the improvement of national legislation with further liberalization of the foreign trade regime and consistent harmonization with international norms and rules of the World Trade Organization.

It should be noted that in April 2018, within the framework of the memorandum and the road map signed in Seoul, Uzbekistan plans to hold a working meeting of the Uzbek-Korean Advisory Council on WTO accession. During the meeting, an examination of national legislation in the field of tariff and non-tariff regulation will be conducted for compliance with the requirements of the organization's agreements.

Implementation of measures aimed at accelerating work on joining the WTO is also provided for in the current state program of the country. Along with this, work is currently underway to prepare for the next, fourth round of the meeting of the Working Group on Uzbekistan's WTO accession in Geneva. The issue of approving the chairman of this body in the person of a representative of a foreign state is also being worked out.Recall that today 164 countries are members of the World Trade Organization. Uzbekistan acts as an observer state in it.

5.6. Why is liberalization of the foreign trade regime and entry into the WTO so important for long-term economic growth?

The high level of import protectionism has not yet led to the desired results in any country in the world. The most significant negative consequences of a high level of import protectionism are as follows.

Firstly, the consequence of the high level of import protectionism is the strong distortion of relative prices, which leads to an inefficient distribution and use of available limited resources

Secondly, a higher level of prices in the domestic market compared to prices in foreign markets restrains the growth of activity of producers in the search for market niches in foreign markets.

Thirdly, a high level of import protectionism stimulates the development of smuggling imports.

Fourth, a high level of protectionism creates the conditions for monopolization of the economy.

Fifth, often decisions on protectionism of a particular sector are made without taking into account all the consequences of these measures for the economy.

Sixth, it is known that there is a close positive relationship between the degree of openness of the economy and the influx of foreign direct investment.

Many of this incomplete list of negative aspects of import protectionism can be eliminated through liberalization due to the country's membership in the WTO.

Let's look at the statistics. Uzbekistan has had and continues to have favorable conditions for economic growth in terms of resource endowment. In 1995, per capita GDP in Kyrgyzstan amounted to 364.2 US dollars, in Uzbekistan - 585.9 dollars (1.6 times higher). However, in 2018, Uzbekistan's GDP is projected at 290.6 trillion soums, and the population is about 32.9 million people. If in the current year, the average annual rate of the sum against the dollar will be 8300 soums (which is too optimistic at the average annual inflation rate of 13-14%), then the per capita income in Uzbekistan will be about \$ 1060. In Kyrgyzstan, this figure in 2017 already amounted to \$ 1,140.

6. CONCLUSION

Finally, Uzbekistan officially filed an application to resume the process of joining the WTO exactly one year ago. As noted above, the first stage in the negotiation process is the filing of a memorandum on foreign trade regime. A memorandum has not yet been filed, which means that negotiations have not yet resumed.WTO members may consider such a delay as an insufficient desire to complete what has been started, which is an alarming signal for trading partners and potential investors. Political will on this issue will become undeniable if a confident and stable pace in the negotiations is demonstrated. For this, coordination of the work of authorized bodies, ministries and departments, the involvement of competent personnel and a more professional approach in the laborious, but very important process of Uzbekistan's accession to the WTO is necessary.

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